United Nations DP/2002/25

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
18 July 2002

Original: English

Second regular session 2002
23 - 27 September 2002, New York
Item 2 of the provisional agenda
Financial, budgetary and administrative matters

Annual review of the financial situation, 2001

Report of the Administrator

Summary

The UNDP continues to be a multi-funded organization and witnessed an increase of 9 per cent in its overall funding level between 2000 and 2001. It is also noteworthy to mention that UNDP was able to reverse the long downward trend in its regular resources for the first time in eight years. While the turnaround in regular resources is encouraging, the growth trend remains modest in relation to the targets set by the Executive Board and to what is actually required to maximize the impact of the organization's work, particularly in least developed countries. The increase in the overall funding level is primarily a result of the growth achieved in other resources. Third-party co-financing (including third-party cost-sharing, management services agreements and trust funds) continued its growth trend, representing 30 per cent of the aggregate income by 2001. Programme-country cost-sharing also continues to represent a significant portion of the total income received (41 per cent of the aggregate income in 2001), reflecting increased political will and support for UNDP by partner countries.

It should be noted that regular and other resources are not transposable. The ability of UNDP to fulfill its mandate and to mobilize other resources depends fundamentally on its having an adequate, secure regular funding base that guarantees its multilateral, impartial and universal character. In recalling its landmark decision 98/23 on the MYFF and core funding strategy, the Executive Board may wish to urge all donors to restore growth and predictability to the regular funding base of UNDP.

Elements of a decision

The Executive Board may wish to:

(a) take note of document DP/2002/25 and Add.1;

(b) recognize that the ability of UNDP to fulfill its mandate and to mobilize other resources depends fundamentally on its having an adequate, secure regular funding base that guarantees its multilateral, impartial and universal character;

(c) take note of the upward trend in regular resources for the first time in eight years;

(d) recognize that the growth trend remains modest in relation to targets set by the Executive Board and to what is actually required to maximize the impact of the organization's work, particularly in the least developed countries;

(e) recognize that the timeliness of payment of contributions is essential to avoid liquidity constraints and is a key factor for the achievement of the goal of greater predictability of income;

(f) take note of the continued strength of other resource contributions to the organization and their contributions on the goals of the multi-year funding framework.

02-48612 (E) 170902

Contents

		Paragraphs	Page
	Abbreviations		3
	Definitions		4
I.	Introduction	1	5
II.	UNDP overall	2–15	5
III.	Regular resources	16–24	10
	A. Income	17	10
	B. Expenditure	18–20	10
	C. Balance of unexpended resources	21–24	11
IV.	Other resources	25–42	12
	A. Programme country cost-sharing	27–30	14
	B. Third-party co-financing	31–34	16
	C. Management services agreements	35	17
	D. Junior Professional Officers programme	36–38	17
	E. Reserve for field accommodation	39-42	17
V.	Funds administered by UNDP	43-56	18
	A. United Nations Capital Development Fund	44–45	18
	B. United Nations Development Fund for Women	46-49	19
	C. United Nations Volunteers	50–53	19
	D. United Nations Revolving Fund for Natural Resources Exploration and United Nations Fund for Science and Technology for Development	54-56	20
Annex	UNDP overview		
	Table 13a. Statement of income and expenditure for the year ended 31 December 2001, with comparative figures for 2000		21
	Table 13b. Assets, liabilities and reserves and fund balances as of 31 December 2001, with comparative figures for 2000		22

Abbreviations

ACC	Administrative Committee on Coordination
CARERE	Cambodian Resettlement and Reintegration Programme
CCF	Country cooperation framework
DESA	Department of Economic and Social Affairs of the United Nations
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility
GLOC	Government local office costs
IAPSO	Inter-Agency Procurement Services Office
IBRD	International Bank for Reconstruction and Development
ICT	Information and communication technology
ILO	International Labour Organization
JPO	Junior Professional Officer
LDC	Least developed country
MSA	Management services agreement
MYFF	Multi-year funding framework
NGO	Non-governmental organization
OECD/DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
OHADA	Organization for the Harmonization of Business Law in Africa
PAPP	Programme of Assistance to the Palestinian People
RFA	Reserve for field accommodation
SMF/LDC	Special Measures Fund for the Least Developed Countries
SRF	Strategic results framework
SVF	Special Voluntary Fund (UNV)
TRAC	Target for resource assignment from the core
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNEP	United Nations Environment Programme
UNFIP	UNDP Trust Fund for International Partnerships
UNFSTD	United Nations Fund for Science and Technology for Development
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
UNOPS	United Nations Office for Project Services
UNRFNRE	United Nations Revolving Fund for Natural Resources Exploration
UNSO	Office to Combat Desertification and Drought
UNV	United Nations Volunteers
WSSD	World Summit for Social Development

Definitions

Regular resources: the resources of UNDP that are co-mingled and untied. These include voluntary contributions, contributions from governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous income.

Other resources: the resources of UNDP other than regular resources, which are received for a specific purpose, consistent with the policies, aims and activities of UNDP and for the provision of management and other support services to third parties. Under this category fall cost-sharing and trust funds established by the Administrator. For presentation purposes, MSAs, the reimbursable support services and other activities (the JPO programme and the RFA, among others) are included in the other resources grouping.

UNDP resources: the resources credited to the UNDP regular resources account or other resources account and, therefore, exclude resources credited to the UNDP funds account.

Funds administered by UNDP: the funds established by the General Assembly and administered by UNDP.

Programme support: expenditure incurred by organizational units (country offices and headquarters) whose primary function is the development, formulation, delivery and evaluation of the programmes of the organization.

Management and administration: expenditure incurred by organizational units whose primary function is the maintenance of the identity, discretion and well-being of the organization.

Support to operational activities of the United Nations: this consists of four elements that pertain essentially to activities funded by the regular resources, namely, country offices support, the United Nations Development Group, UNV and IAPSO.

I. Introduction

1. The present report provides an overview of the financial condition of UNDP at the end of 2001 and the comparative figures for the year ended 31 December 2000. The report contains analyses of the activities of UNDP at the aggregate level, followed in order by analyses of the financial situation of regular (core) resources, other non-core resources and the funds established by the General Assembly. An overview of the overall aggregates is shown in the annex to the present document. All tables in the narrative provide summary information of detailed data that can be found in the statistical addendum DP/2002/25/Add.1 to the present document.

II. UNDP overall

2. The present chapter focuses on UNDP operational activities at the aggregate level and the resultant unexpended balances. In addition, table 1 of the addendum presents a summary of all activities undertaken by UNDP. Although the data are broken down by type of activity, the figures have been aggregated to facilitate an overview of the overall financial situation of UNDP.

3. As highlighted in the annual report of the Administrator for 2001 (DP/2002/15), UNDP and its associated funds and programmes continue to put significant efforts to implement the Business Plans, 2000-2003. The MYFF continued to be a critical framework to implement results-oriented programmes at the country, regional and global levels. It also continued to provide a coherent programme framework for enhancing the alignment of synergies between regular and other resources behind a set of development priorities.

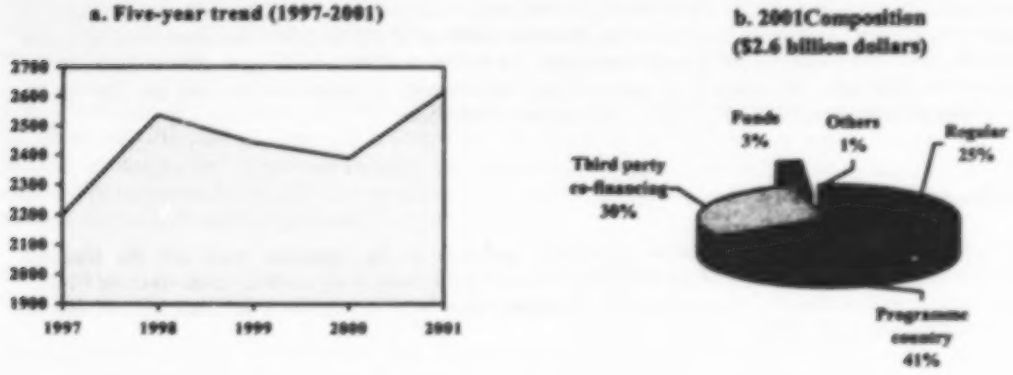
4. In 2001, UNDP established thematic trust funds to further strengthen the alignment of regular and other resources in six thematic areas: (a) democratic governance; (b) poverty reduction; (c) crisis prevention and recovery; (d) information and communication technology; (e) energy and environment; and (f) HIV/AIDS. The thematic trust fund instrument was designed to facilitate a flexible and agile co-financing modality to support development work that cannot be funded from regular resources or from other multi-lateral or bilateral sources.

5. UNDP received a total of $2.6 billion in 2001 (including regular resources, other resources and funds), the highest level ever, up by 9 per cent from the 2000 contributions of $2.39 billion. Regular resources income increased by 3 per cent (from $634 million in 2000 to $652 million in 2001), reversing the declining trend shown in regular contribution for over eight consecutive years. The reversal of the declining trend in regular resources is encouraging.

6. Third-party co-financing (including third-party cost-sharing, MSAs and trust funds) registered a growth of 10 per cent, rising to $781 million in 2001. Third party co-financing, for the second year in succession, exceeded the regular resources income in 2001. Programme countries also increased cost-sharing contributions by a significant rate of 13 per cent to $1.067 billion in 2001, reaffirming the role of UNDP as a trusted partner in supporting country-driven development goals.

7. While recent trends have shown a significant increase in other resource contributions to UNDP, regular and other resources are not interchangeable. The ability of UNDP to fulfil its mandate and to mobilize other resources depends fundamentally on its having an adequate, secure regular funding base that guarantees its multilateral, impartial and universal character. The Administrator remains firm in his belief that regular contributions remain the bedrock of UNDP and that putting the regular resource base back on a path of sustainable growth to meet agreed targets remains the top priority.

Figure 1. Overall contributions: five-year trend and 2001 composition

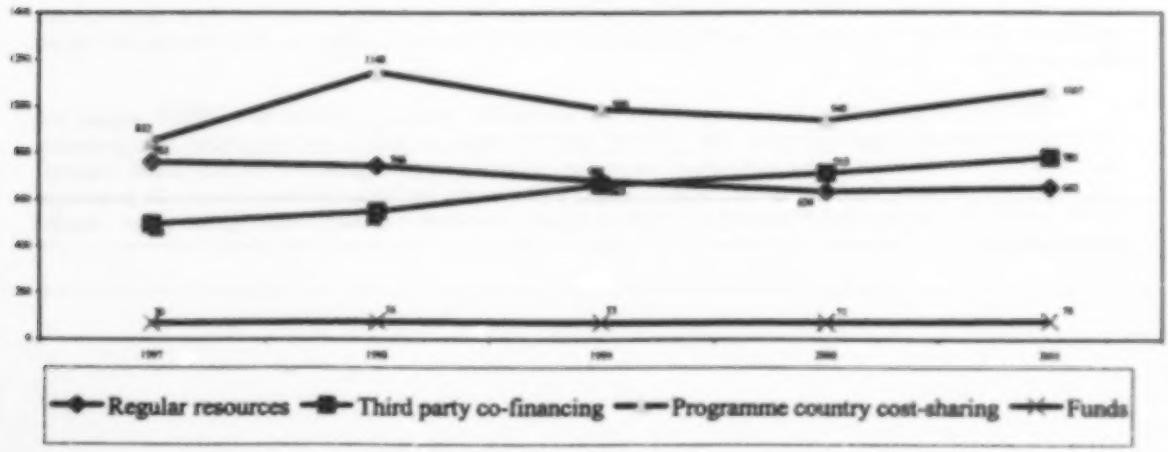


8. The MYFF has continued to provide the key framework for securing policy coherence and the country-driven demand nature of UNDP support, regardless of funding source. Within this framework, third-party co-financing (including third-party cost-sharing, MSAs and trust funds) has increased, particularly in the past four years. Continuing its growth trend, total contributions other than regular resources were close to the $2 billion mark, representing three quarters of total amounts received in 2001. The highest increases in receipts for other resources were generated from increases in programme country cost-sharing and in trust fund contributions of 13 per cent and 36 per cent, respectively.

9. As in the past, regular resources are received primarily from OECD/DAC donors. Total OECD/DAC contributions to regular resources increased by 3 per cent. The total value of the contributions (both regular and other resources) received from OECD/DAC donors amounted to $1.031 billion in 2001, of which $988 million (96 per cent) was received from the top 15 OECD/DAC donors.

Figure 2. Overall contributions: five-year trend by type of resources

(millions of United States dollars)



10. Thirteen members of OECD/DAC increased their contributions in local currency terms, a number of the members for the second consecutive year and, in some cases, the third consecutive year. Three countries in particular increased their local currency contributions by over 34 per cent. It is also noteworthy to mention the improvements achieved in the payment performance shown in 2001 compared with the previous two years. UNDP cash-flow improved in terms of regular resources. Increased contributions, coupled with the adherence to scheduled payments, minimized the organization's need to draw against the operational reserve during 2001 – a trend that all donors are urged to continue. The regular resources operational reserve was used only in one month in 2001, compared to eight months in 2000. The draw down was $45 million in March 2001. Nonetheless, some 11 donors continue to schedule the payment of significant proportions of their pledges in the last quarter of the year, with some 6 per cent of total commitments due in December. The timely and early payment of contributions is essential to avoid liquidity constraints and is a key factor in achieving greater predictability of income.

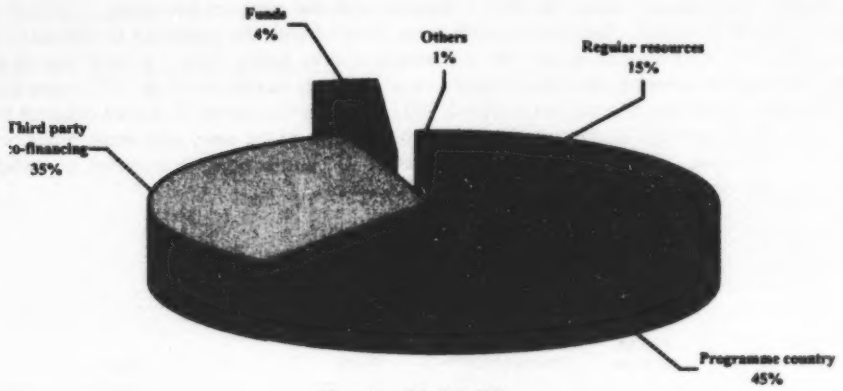
Table 1. Top 20 donors in contributions for selected UNDP activities, 2001 [a]
(millions of United States dollars)

Donor	Regular resources	Trust funds, third-party cost-sharing and MSAs	Funds	Total		
				2001	2000	1999
Japan	96	44	3	143	196	209
United States [b]	84	23	3	110	105	112
Norway	69	31	5	105	95	109
Netherlands	66	55	11	132	138	129
Sweden	53	38	6	97	106	98
United Kingdom	53	36	4	93	79	73
Denmark	49	8	7	64	63	81
Switzerland	29	10	1	40	43	42
Canada	27	11	1	39	35	34
Belgium	22	4	2	28	19	6
Germany	22	2	2	26	24	52
Italy	16	41	3	60	55	28
France	14	2	1	17	19	22
Finland	11	7	1	19	18	22
Spain	10	5	-	15	6	8
Ireland	6	2	1	9	6	7
Australia	4	8	1	13	16	22
India	4	-	-	4	4	4
New Zealand	3	1	-	4	4	3
China	3	-	-	3	3	3
Total of top 20 donors	641	328	52	1 021	1 034	1 064
Total resources	652	781	78	1 511	1 418	1 422
Percentage of total resources	98%	42%	67%	68%	73%	75%
Source: Table 6 and 7, DP/2002/25/Add.1						

[a] Ranked on the basis of regular resources income received in 2001.
[b] Includes taxes.

11. The aggregate programme expenditure (including funds - $77 million) increased to $2.2 billion, representing a 6 per cent growth from the previous year. The rapid growth in programme delivery that started in 1995 reached its all time high figure of $2.2 billion in 1999, then, declined in 2000 to $2.0 billion. There was an upward trend in 2001. Of the total 2001 expenditure, $1.8 billion (81 per cent) pertained to other resources while only 15 per cent ($333 million) was financed from regular resources.

Figure 3. Overall expenditure, 2001



Total - $2.2 billion

12. In terms of regional coverage, 2001 had a similar distribution pattern to that of 2000. The Latin America and Caribbean region continued to record the highest share of programme delivery, accounting for 50 per cent of the aggregate figures or $1.1 billion. Africa incurred $313 million or 14 per cent. Asia and the Pacific captured $304 million, representing 14 per cent of the total expenditure. The Arab States amounted to $227 million or 11 per cent and Europe and the Commonwealth of Independent States (CIS) accounted for $145 million or 7 per cent. Global, inter-regional and other regional programmes had $51 million or 2 per cent. Of the total $1.1 billion expenditure incurred in Latin America, 80 per cent was funded from programme country cost-sharing. Compared with 2000, except for a slight decrease (2 per cent) in the Africa region, each region had recorded an increase in programme delivery channeled through UNDP.

Table 2. Regional distribution of programme expenditure, 1999-2001
(millions of United States dollars)

	Regular resources			Other resources		
	2001	2000	1999	2001	2000	1999
Latin America and the Caribbean	18	19	23	1 032	963	1 021
Europe and the Commonwealth of Independent States	24	22	41	121	118	75
Africa	141	143	206	172	177	206
Asia and the Pacific	117	131	145	187	141	172
Arab States [a]	25	31	25	202	147	126
Others [b]	8	32	50	43	30	54
	333	378	490	1 757	1 576	1 654

[a] Includes cost-sharing expenditure for PAPP.
[b] Includes global and interregional programme.

13. The percentage share for execution modalities breaks down as follows: national execution, the preferred modality, still represents over 60 per cent of the overall UNDP figure, followed by UNOPS, 13 per cent, direct execution, 10 per cent and other agencies, 8 per cent (see table 3).

Table 3. Distribution of programme expenditure by execution modality: UNDP overall, 1999-2001
(millions of United States dollars)

Executing agency	Regular resources and other resources (excluding funds) 2001	%	2000	%	1999	%
National execution	1 330	64%	1 277	65%	1 414	66%
UNOPS	267	13%	274	14%	341	16%
"Big five" agencies [a]	79	4%	75	4%	85	4%
Other agencies	170	8%	164	8%	156	7%
Direct execution (UNDP)	214	10%	144	8%	133	6%
NGOs	30	1%	20	1%	15	1%
Total [b]	2 090		1 954		2 144	

Source: Table 11, DP/2002/25/Add.1

[a] DESA, FAO, ILO, UNESCO and UNIDO.

[b] Expenditures in LDCs are: $165 million in 2001; $176 million in 2000; and $249 million in 1999.

14. As table 4 illustrates, value, pattern and percentage share of delivery by implementing modality exhibit similar composition (national execution shares around 60 per cent and over $1 billion of delivery; UNOPS shares 14 per cent and over $200 million of delivery, etc.). As in the case of the execution modality, both the percentage share and the value of direct execution delivery has gradually moved upward during the five-year period.

Table 4. Distribution of programme expenditure by implementing modality: UNDP overall, 1999-2001
(millions of United States dollars)

Implementing	Regular resources and other resources (excluding funds) 2001	%	2000	%	1999	%
National execution	1 273	61%	1 228	63%	1 264	59%
UNOPS	295	14%	300	15%	365	17%
"Big five" agencies [a]	137	7%	139	7%	174	8%
Other agencies	153	7%	138	7%	196	9%
Direct execution (UNDP)	204	10%	127	7%	123	6%
NGOs	28	1%	22	1%	20	1%
Total	2 090		1 954		2 144	

[a] DESA, FAO, ILO, UNESCO and UNIDO.

15. Although the overall balance of unexpended resources increased by 7 per cent to $1.6 billion ($1.5 billion in 2000), the balance of regular resources declined by $31 million (41 per cent) – from $76 million in 2000 to $45 million in 2001. This is mainly the result of a change of UNDP policy in distributing interest to other resources and funds in the same year that it is earned instead of one year in arrears. Consequently, interest relating to two years (i.e., 2000 and 2001) was distributed to other resources and funds in 2001. (In 2000-2001, interest income was also reduced because of the $8.4 million overstatement of interest in 1998-1999. If the change in the timing of distribution of interest from regular resources had not been made and if the adjustment of interest income had not occurred, interest income for 2000-2001 would have increased to $6.8 million and 1998-1999 interest would have decreased to $59.9 million.) An accounting accrual of $26 million was also made in 2001 for after-service health insurance benefits, contributing to the reduction in the regular resource balance. The Executive Board, at its second regular session in 2001, approved a transitional reserve of $11.4 million for information and communication technology. When this reserve is taken into account, the total unencumbered resource balance reduces further to $33.9 million. The balance of other resources, however, increased to $1.5 billion, representing 91 per cent of aggregate total resources from all sources compared to 88 per cent in 2000 and 85 per cent in 1999.

III. Regular resources

16. Activities funded by regular resources are shown in tables 5, 6 and 7. The present chapter first examines income and expenditure and then focuses on the balance of unexpended resources. Compared to 2000, total 2001 income, inclusive of interest income and other income, increased by 2 per cent to $665 million while total 2001 expenditure remained stable at $703 million. The available resource balance, exclusive of operational reserves, was reduced by 41 per cent (refer to table 5).

A. Income

17. UNDP mobilized a total of $651.8 million in regular resources (exclusive of interest and other income) in 2001, recording a marginal growth of 3 per cent – compared to the regular resource contributions recorded in 2000 – with close to 98 per cent contributed by OECD/DAC countries. It was encouraging to note that non-OECD member contributions amounted to $16.8 million in 2001 – registering a substantial growth of 52 per cent from the 2000 level of $11million.

Table 5. Income and expenditure for the years ended 31 December 2001 and 2000
(millions of United States dollars)

	Regular resources		Change between 2001 and 2000 (percentage)
Income	**2001**	**2000**	**%**
Net contributions	651.8	634.1	2.8
Interest and other income	13.1	15.6	(16.0)
Total income	664.9	649.7	2.3
Expenditure			
Programme	332.6	378.3	(12.1)
Programme support:			
Implementing agents	33.6	42.1	(20.2)
Biennial support budget: net	266.9	233.5	14.3
Support to resident coordinator	8.9	10.1	(11.9)
Other expenditure	60.9	38.7	57.4
Total expenditure	702.9	702.7	-
Shortfall of income over total expenditure	(38.0)	(53.0)	27.9
Transfer from (to) reserves	9.0	12.6	(28.6)
Savings, refunds and other transfers	(1.8)	9.5	-
Balance of unexpended resources, 1 January	76.1	107.0	(28.9)
Balance of unexpended resources, 31 December	45.3	76.1	(40.5)
Operational reserve	151.6	167.0	(9.2)
Total months of expenditure [a]	3.4	4.2	

Source: Table 1(a), DP/2002/25/Add.1

[a] This calculation represents the operational reserve plus balance of unexpended resources as a function of the average monthly expenditures of $59 million in 2001 and 2000. The balance of $45.3 million in unexpended resources is equivalent to 0.8 month of expenditure.

B. Expenditure

18. Total 2001 expenditure under regular resources remained at the same level as 2000, i.e., $703 million. However, fluctuations were noted within each major expenditure category that are characteristic of the increasingly dynamic environment in which UNDP operates. Combined programme and programme support expenditure decreased by approximately 13 per cent reflecting the impact that the tight regular resource situation is having on programme countries and on the ability of other regular (core) programmes to invest in substantial new initiatives. All regions, except Europe and the CIS, were affected by the decline in regular resource programme expenditure.

19. *Biennial support budget*. The increase in biennial support budget expenditure by approximately 14 per cent, is attributed only in part to the fact that 2001 was the second year of the biennium, during which expenditure is normally higher. Most of the increased 2001 expenditure is the result of the organization's deliberate redeployment of resources to fund strategic initiatives in support of the ongoing transformation process as called for in the Administrator's Business Plans, 2000-2003. Increased spending centred on reprofiling missions, training initiatives, development support services and staff separations. Other expenditure reflects a 57 per cent increase, almost all of which pertains to the $23 million recorded in 2001 as net adjustments on revaluation of currencies and losses on exchange.

20. To gain a better understanding of the financial dimensions of the organization's liabilities for after-service health insurance, an independent consulting actuary was engaged in 2001 to carry out an actuarial valuation of post-retirement health insurance benefits as of 1 January 2001. On the basis of that study, the actuary estimated that the net liability as of 1 January 2001 for after-service health insurance benefits covering all participants was $256 million. UNDP has made an accounting accrual of $54 million for the biennium ended 31 December 2001. This amount is made up of $28 million for the accrued liability as of 1 January 2001 and $26 million for the current biennium. The current accruals are more or less based on the funding strategy. The consulting actuary has also been engaged to propose alternatives to the funding of this liability.

C. Balance of unexpended resources

21. The balance of unexpended resources shown in table 6 is the pool of resources available to finance UNDP activities funded by regular resources. At $45.3 million, it is the lowest since 1984 and has declined 41 per cent since 31 December 2000 ($76 million).

22. The balance of unexpended resources shows a downward trend over a six-year period ($513 million in 1996, $285 million in 1997, $212 million in 1998, $107 million in 1999, $76 million in 2000 and $45 million in 2001). Beginning 1997, a deliberate effort was made to draw down unexpended resources to boost delivery. In 2001, however, the resource balance fell to $45.3 million, the lowest level ever, as a result of the distribution of two years of interest in 2001 and the accrual relating to after-service health insurance benefits.

Table 6. Movement in the balance of unexpended resources, 2001 and 2000
(millions of United States dollars)

	2001	2000
Balance as at 1 January	76.1	107.0
Total income	664.9	649.7
Total expenditure (including support costs and other expenditure)	(702.9)	(702.7)
Savings on obligations from prior biennium	(1.8)	9.5
Transfer from/to reserves and other transfers	9.0	12.6
Balance as at 31 December	45.3	76.1

Source: Table 1(a), DP/2002/25/Add.1

23. At the end of 2001, UNDP held cash and investments for regular resources totaling $278 million, inclusive of the operational reserve of $152 million. Based on total expenditure of $1.4 billion for the biennium, the organization's liquidity position at the end of 2001 represented expenditure for about four and a half months, made up of approximately two and a half months of reserves and two months of working capital. This represents a modest increase in liquidity, primarily owing to lower cash outflows resulting from a reduced regular programme. UNDP drew from its operational reserve in one out of 12 months. The need to draw against the operational reserve impedes the ability of UNDP to manage its financial resources effectively. It diminishes the organization's ability to react to unforeseen financial situations. To maintain programme delivery at the agreed target, a prudent level of liquidity for UNDP regular resources would be the equivalent of expenditure for six months, implying a total liquidity of $350 million at current expenditure levels. This can be achieved by early and increased contributions from donor countries.

Table 7. Movement of liquid resources, 2001/2000
(millions of United States dollars)

	2001	2000
Opening balance, 1 January		
Cash and investments	71.9	45.5
Income	664.9	649.8
Expenditure	(702.9)	(702.7)
Savings on obligations from prior biennium	(1.8)	9.5
Transfer from/to reserves and other transfers	6.6	12.6
Subtotal	(33.2)	(30.8)
Net change in advances made to Governments, executing agents and expenditure incurred but not yet disbursed	87.8	57.2
Closing balance, 31 December [a]		
Cash and investments	126.5	71.9

Source: Table 1(a.b), DP/2002/25/Add.1

[a] This balance of liquid assets is in addition to the investments held for the operational reserve ($152 million in 2001 and $167 million in 2000)

24. In accordance with Executive Board decision 99/9, the formula for the calculation of the level of the UNDP regular resource operational reserve was amended on the basis of the report of the Administrator on UNDP financial risk management: review of operational reserve (DP/1999/5/Rev.1) and UNDP financial risk management: review of operational reserve – further clarifications (DP/1999/CRP.9/Rev.1). Based on the final income and expenditure data for 2001, the operational reserve will be adjusted to a new level of $141 million, freeing $11 million for the general resources of UNDP.

IV. Other resources

25. Activities funded by other resources comprise mainly programme country cost-sharing, third-party cost-sharing, trust funds, management services agreements, the JPO programme and the RFA. Overall income increased by $248 million from $1.8 billion in 2000 to $2.1 billion in 2001. Overall expenditure also increased by 13 per cent ($219 million). Other resource contributions received in 2001 totaled $1.9 billion, of which 57 per cent accounted for programme country cost-sharing.

26. Recent trends have shown a significant increase in other resource contributions. Third-party co-financing (including third-party cost-sharing, MSAs and trust funds) registered a marked increase, particularly during the last four years: from $495 million in 1997 to $548 million in 1998, $663 million in 1999, $712 million in 2000 and $781 million in 2001 at a growth rate of 11 per cent, 21 per cent, 7 per cent and 9 per cent, respectively. The following analysis looks separately at each of the main components: programme country cost-sharing; third-party co-financing (third-party cost-sharing, trust funds and MSAs); the JPO programme; and the reserve for field accommodation.

Figure 4. Contributions – other resources, 2001
(millions of United States dollars)

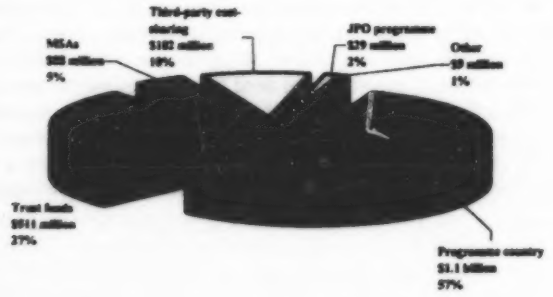


Figure 5. Contributions – other resources, 1996-2001
(millions of United States dollars)

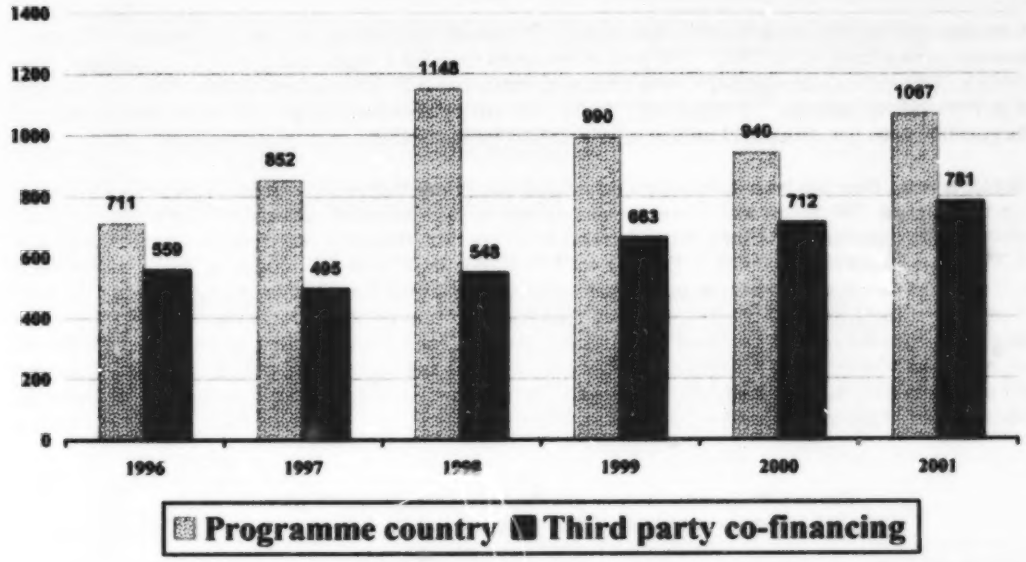


Table 8. Income and expenditure for the years ended 31 December 2001 and 2000
(millions of United States dollars)

	Amount		Change between 2001 and 2000 (percentage)
Income	**2001**	**2000**	
Programme country cost-sharing contributions	1 066.6	940.8	13.4
Third-party co-financing	781.3	712.1	9.7
Interest income	98.5	61.6	59.9
Other income	1.4	3.6	(61.1)
Total income	1 947.8	1 718.1	13.4
Expenditure			
Programme: Programme country cost-sharing	970.1	870.8	11.4
Third-party co-financing	764.6	680.7	12.3
Programme support: implementing agents	21.4	18.9	12.7
Country office administrative charge	86.1	52.1	65.3
Total expenditure	1 842.2	1 622.5	13.5
Net excess of income over expenditure	105.6	95.6	10.5
Refunds and other transfers	(7.9)	(8.5)	7.1
Balance of unexpended resources, 1 January	1 270.2	1 183.0	7.4
Balance of unexpended resources, 31 December	1 367.9	1 270.1	7.7
Balance in months of expenditure	9	9	

Source: Table 3(a), DP/2002/25/Add.1

A. Programme country cost-sharing

Income

27. Contributions for programme country cost-sharing still represent a significant portion or 57 per cent of the total other resources income received in 2001. This pool of resources recorded a significant growth of 13 per cent, from $941 million in 2000 to $1.1 billion in 2001. The total contributions of 2001 is the second highest ever, after the peak recorded in 1997 ($1145 million). Programme country cost-sharing contributions grew by more than 50 per cent during the past five years (i.e., from $711 million in 1996 to $1.1 billion in 2001).

28. In recent years, there has been increased participation from various regions in programme country cost-sharing. China, Egypt, Bulgaria, Uzbekistan and Botswana, among others, have recorded substantial growth in programme country cost-sharing contributions. China has an increase of 73 per cent, from $11 million in 2000 to $19 million in 2001. A 25 per cent growth is recorded in Egypt, from $16 million in 2000 to $20 million in 2001. As shown in figure 6, Uzbekistan has also increased its programme country cost-sharing contributions in 2001. As in the past, about 79 per cent of programme country cost-sharing contributions came from the Governments of 10 programme countries of Latin America and the Caribbean region (see figure 7). The top ten countries in the Latin America and Caribbean region contributed to the substantial growth, with Colombia registering the highest increase of 71 per cent from $103 million to $176 million. Brazil, for the second year in a row, exceeded the $200 million mark, channeling $216 million in 2001, 4 per cent higher than 2000 ($207 million).

Figure 6. Programme country cost-sharing contributions 1999-2001
(top ten countries outside the Latin America and Caribbean region)
(millions of United States dollars)

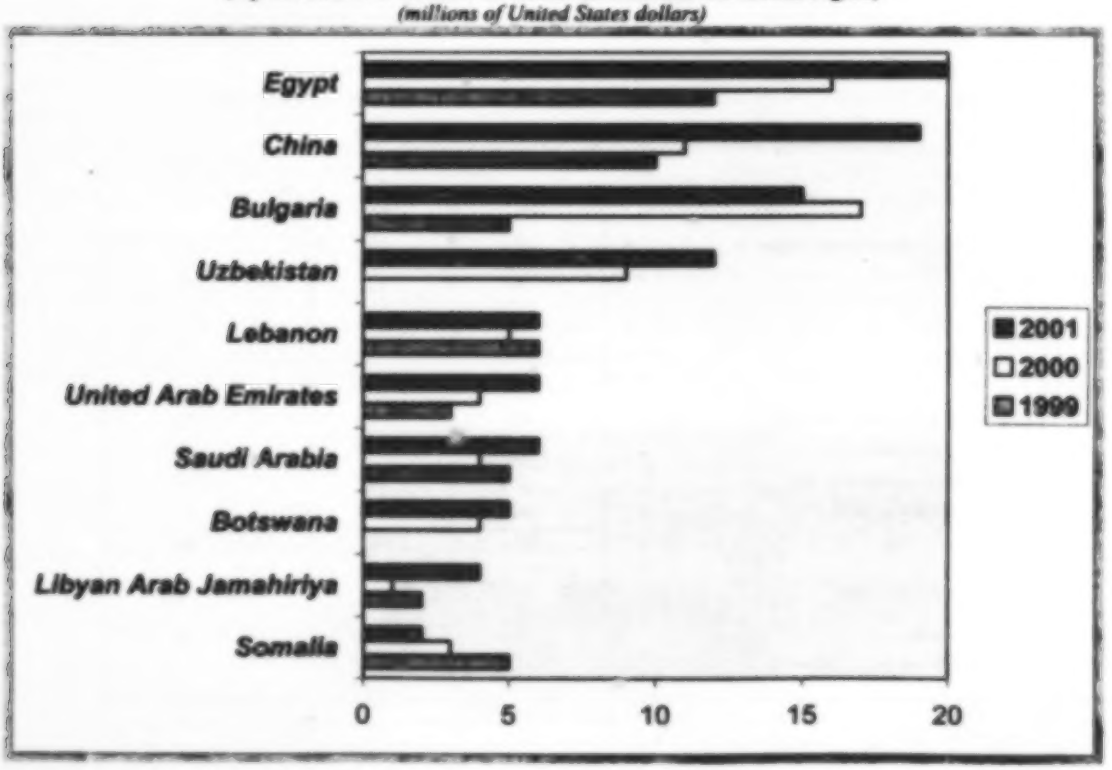
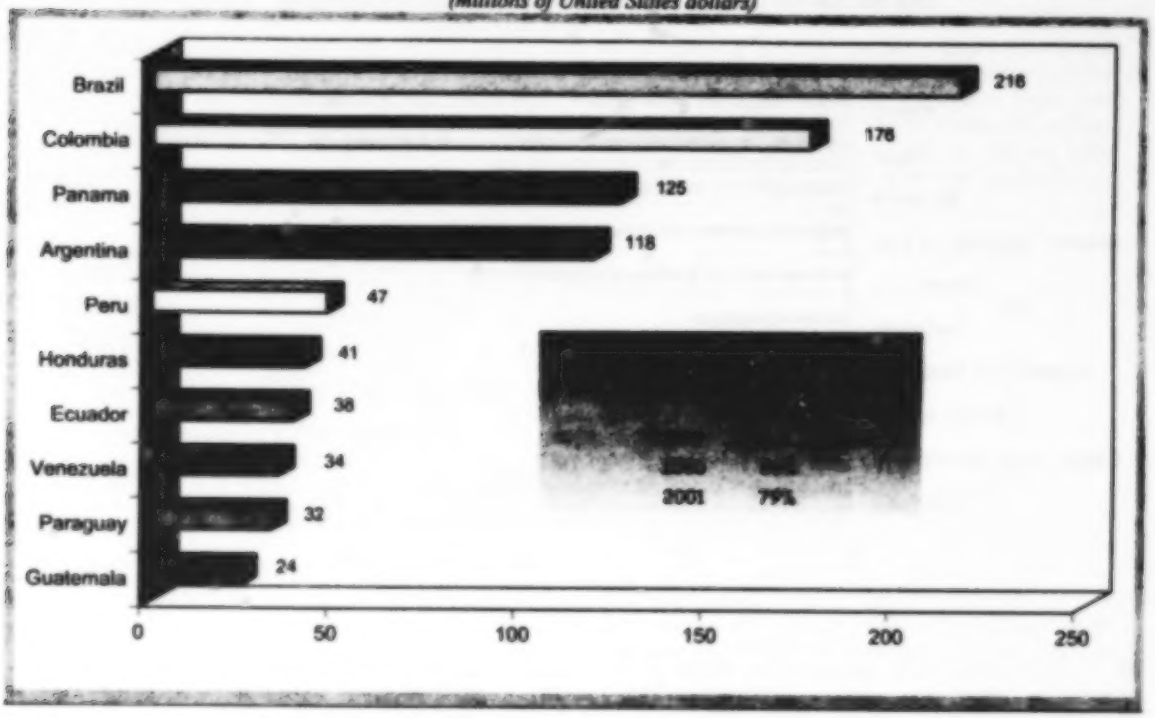


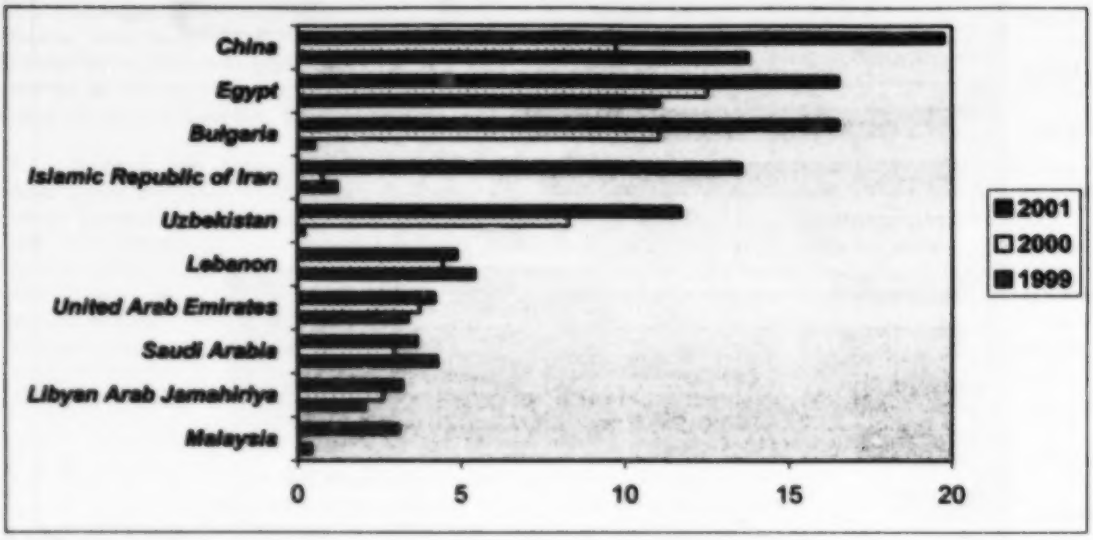
Figure 7. Programme country cost-sharing contributions, 2001: top ten donors
(millions of United States dollars)



Expenditure

29. Total programme delivery in 2001 financed from programme country cost-sharing contributions was $970 million, 11 per cent higher than the delivery in 2000. Countries from the Latin America and Caribbean region primarily generated this increase. Brazil registered a growth of 16 per cent (from $180 million in 2000 to $209 million in 2001), representing 10 per cent of overall programme expenditure and 22 per cent of total programme country cost-sharing expenditure. Colombia, Ecuador, El Salvador, Guatemala and Panama also increased their expenditure by 95 per cent, 92 per cent, 42 per cent, 25 per cent and 24 per cent, respectively. Bolivia also showed a growth of more than 400 per cent – from $3 million in 2000 to $15.9 million in 2001. On the other hand, a decline of 26 per cent was experienced by Argentina, 21 percent by Peru and 23 per cent by Honduras. The Latin America and Caribbean region collectively represents over 30 per cent of overall programme expenditure and over 80 per cent of total programme country cost-sharing expenditure. It is also noteworthy to mention that outside the Latin America and Caribbean region, four countries recorded significant deliveries in programme country cost-sharing: China more than doubled its expenditure from $9.7million to $20 million; Egypt from $12.5 million to 16.5 million; Bulgaria from $11 million to $16.5 million; and the Islamic Republic of Iran from $.7 million to $13.5 million.

Figure 8. Programme country cost-sharing expenditure 1999-2001
(top ten countries outside the Latin America and Caribbean region)
(millions of United States dollars)



30. The country office administrative charge of $86.1 million represents reimbursement of support services provided by UNDP. The increase of $34 million ($52.1 million in 2000) is mainly a result of the adjustment of $6 million made in 2001 for the country office administrative charge for 2000 and the interest for 2000 and 2001 distributed during the year. The $86.1 million also includes the biennial support budget (net) and other expenditures.

B. Third-party co-financing

Income

31. Continuing its growth trend, third party co-financing, including trust funds and MSAs, recorded once again a growth of 10 per cent, from $712 million to $781 million in 2001. This pool of resources has been growing steadily for the last five years. It has grown by almost 40 per cent since 1996 (from $559 million in 1996 to $781 million by the end of 2001), representing 30 per cent of the total resources mobilized by UNDP. The trust fund related to crisis, post-conflict and recovery situations almost doubled that of 2000 income (from $22 million to $40 million), followed by GEF with 75 per cent growth and the Iraq Progamme for Humanitarian Assistance with a 74 per cent increase.

32. As the thematic trust funds were introduced toward the end of 2001, only $20 million was received in 2001, consisting of $5 million for ICT, $9 million for governance and $2 million each for energy sustainable development, poverty reduction and HIV/AIDS.

Expenditure

33. Total third-party co-financing expenditure increased by 11 per cent from $871 million in 2000 to $970 million in 2001, mainly owing to a growth in trust fund expenditure from $387 million to $443 million.

34. As a region, Latin America and the Caribbean continued to dominate in third-party co-financing ($190 million in 2001, $168 million in 2000 and $153 million in 1999, around 20 per cent of the total delivery). Each of the other regions, except for Europe and the CIS, shares around 15 per cent of the total third-party co-financing delivery.

C. Management services agreements

35. MSAs, signed by UNDP with various donors, were all executed by UNOPS. In 2001, donors contributed $88 million towards MSA activities, down by $53 million from $142 million in 2000. Total income, which includes interest income, available for programme activity under MSAs in 2001, amounted to $97 million, down by 36 per cent in comparison to $152 million in 2000. As at 31 December 2001, there were 107 active MSAs on which $120 million was spent, or $8 million more in comparison to 2000. During the year under review, 39 new projects were implemented, 12 were financially completed and 17 were operationally completed. Table 9 shows the distribution by region of MSA expenditures for 2000 and 2001

Table 9. Distribution of expenditure by region for the years ended 31 December 2001 and 2000
(millions of United States dollars)

	2001	2000
Region		
Latin America and the Caribbean	53.8	51.2
Africa	30.9	30.7
Europe and the Commonwealth of Independent States	5.5	20.1
Arab States	4.1	0.0
Asia and the Pacific (East Timor - $19.7)	20.3	5.7
Global and interregional	5.2	3.5
Total	119.8	111.2

Source: UNOPS

D. Junior Professional Officers programme

36. A total of 19 Governments are participating in the JPO programme. As of 31 December 2001, UNDP administered 252 JPOs in the programme, 203 in the country offices and 49 in New York and other headquarters locations.

37. UNDP received a total of $28.5 million in contributions for 2001, a 19 per cent increase over the $24 million received in 2000. The increase was largely attributable to the collection of several long-outstanding debts, timely submission of accurate cost estimates and prompt follow-up with donors.

38. The total amount expended in 2001 totaled $24.8 million ($27.4 million in 2000). The resource balance available at the end of 2001 was $5.2 million, an increase of $3.7 million over the respective balance of $1.5 million at the end of 2000.

E. Reserve for field accommodation

Table 10. Income and expenditure for the years ended 31 December 2001 and 2000
(millions of United States dollars)

	2001	2000	Change between 2001 and 2000 (percentage)
Income			
Rental income	1.1	1.6	(31.3)
Other income-net	0.8	0.5	60.0
Total income	1.9	2.1	(9.5)
Expenditure			
Repairs and maintenance	0.6	1.0	(40.0)
Other	0.8	0.1	(20.0)
Total expenditure	1.4	1.1	27.3
Operating surplus	0.5	1.0	(50.0)
Cumulative surplus (deficit), 1 January	(4.6)	(5.6)	17.9
Cumulative deficit, 31 December	(4.2)	(4.6)	8.7

Source: Table 13, DP/2002/25/Add.1

39. With the support of the Executive Board, UNDP is continuing to move towards the disposal of assets as reported previously and has established provisions for asset write-offs/downs. UNDP currently manages 256 housing units in 22 countries, a reduction from 268 units in 22 countries reported in 2000. Fifty-four of the units are owned by UNDP while 202 units are leased from the Governments of the respective countries.

40. The aggregate summary of the RFA accounts is shown in table 10. Table 15 of the addendum (DP/2002/25/Add.1) shows separate statements of income and expenditure and assets and liabilities for the RFA. The RFA experienced a decrease in rental income (26 per cent) for housing as a result of the closing of housing operations in Angola and the United Republic of Tanzania. Common premises suffered a similar fate. Separate figures are set out for office premises operations, housing operations and reimbursable support services. Total office premises assets as of 31 December 2001 amounted to $20 million while total housing and related assets amount to $16.5 million. Hotel Splendid in Haiti was sold during the year. The net amount due to UNDP regular resources decreased from $13.2 million on 31 December 2000 to $11.9 million on 31 December 2001.

41. In 2001, housing operations reported a surplus of income over expenditure totaling $.7 million while office premises operations reported a deficit of $.3 million. Claims totaling $.01 million were settled from the list of unpaid debt in 2001. Claims totaling $1.5 million remained outstanding on 31 December 2001. UNDP does not, however, recognize the validity of some of these claims.

42. The initial provision for asset write-down of $14.1 million was set up in 1996-1997 on the basis of management's best estimate of RFA assets impairment as of 31 December 1997. The provision included $.4 million for a delinquent loan due from Yemen, $3 million paid by Yemen over the years 1996-2000 was removed from the provision. Information available indicates that the balance remaining on 31 December 2001 of $10.99 million may be adjusted pending review and analysis of financial data and appraisal of property scheduled to be undertaken to ascertain current values of the assets. Accumulated rental income of $.5 million was applied towards reducing the capitalized rehabilitation costs for housing in 2000.

V. Funds administered by UNDP

43. Table 5 (a) in the addendum to the present report (DP/2002/25/Add.1) provides detailed data for the five funds administered by UNDP. The results of activities undertaken in 2000 are outlined in this section.

A. United Nations Capital Development Fund

44. Total contributions to UNCDF in 2001 remained stable at $26.1 million. Following through on its commitment to results-based management, UNCDF presented its first results-oriented annual report (DP/2001/17) in 2001, of which the Executive Board took note in its decision 2001/12. During the year, UNCDF implemented most of the recommendations of the 1999 external evaluation. Of particular note was the finalization of a policy impact and replication framework and the signing of a memorandum of understanding with UNDP in the area of micro-finance. In 2001, UNCDF donors contributed $24.3 million. With miscellaneous income and other (non-core) resources, the total resources of the Fund amounted to $28.6 million. Although a modest increase was achieved in regular (core) contributions in 2001, total regular resources have declined as a result of a reduction of approximately 50 per cent in miscellaneous income. In applying the partial funding formula, UNCDF reduced its new approvals downwards to $10.6 million from an original target of $20 million.

45. Programmme expenditure (including support costs paid to implementing agents) totaled $34.4 million. Total expenditure in 2001 represented an overall project delivery of 70 per cent. In comparison, the 2000 expenditure of $43.2 million accounted for 85 per cent of delivery. UNCDF unexpended resources as of 31 December 2001 were $58.9 million compared with $70.9 million in 2000, including $33 million in the operational reserve.

B. United Nations Development Fund for Women

46. In its decision 2000/7, the Executive Board endorsed the programme focus, strategies and targets set out in the Strategy and Business Plan, 2000-2003, of UNIFEM (DP/2000/15). The Fund continued to work towards its overarching goal by focusing on its three thematic areas and five core strategies identified in the previous plan, which support an innovative and catalytic approach to women's empowerment and gender equality.

47. Total contributions for UNIFEM increased by $1.3 million, or 5 per cent, from $26.6 million in 2000 to $27.9 million in 2001. There was an increase of $1.6 million in contributions to UNIFEM regular resources from $19.1 million in 2000 to $20.7 million in 2001. Cost-sharing and contributions to trust funds decreased by $.4 million from $7.6 million in 2000 to $7.2 million in 2001.

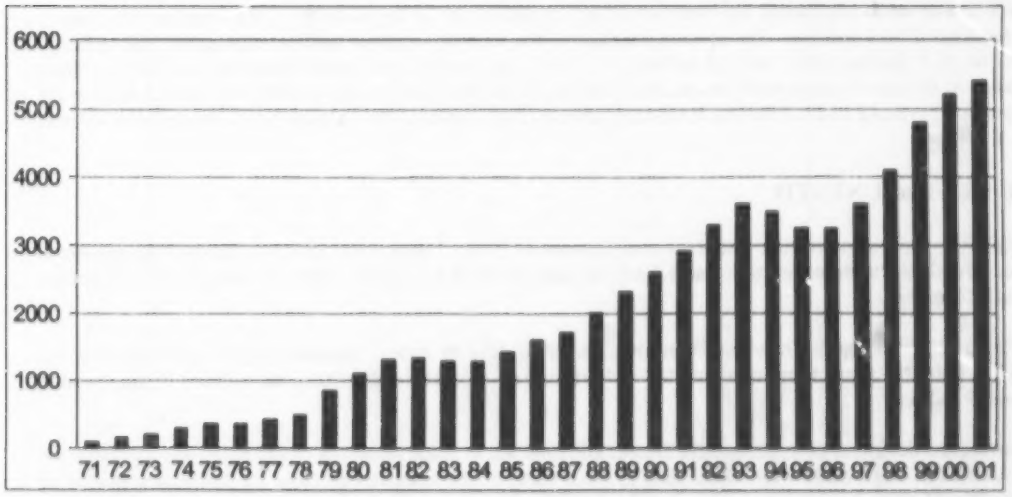
48. Overall programme expenditure, including support costs paid to implementing agents, increased by $1.9 million, or 10 per cent, from $19.9 million in 2000 to $21.8 million in 2001. Programme expenditure for regular resources increased by $2 million, or 15 per cent, from $13 million in 2000 to $15 million in 2001. Expenditures for cost-sharing and sub-trust funds decreased slightly by $2 million, or 3 per cent, from $7 million in 2000 to $6.8 million in 2001.

49. Unexpended resources on 31 December 2001 totaled $24.3 million, an increase of $1.1 million over the total for 2000 of $23.2 million. These resources, together with contributions receivable of $10.6 million, cover the combined unspent project budgets of $27.8 million for 2002 and future years. The level of the operational reserve was reviewed in accordance with Executive Board decision 97/4 of January 1997 and was increased to $7.4 million at the end of 2001.

C. United Nations Volunteers

50. The UNV programme continued to grow in 2001when close to 5 100 UNV volunteers of 160 different nationalities were involved in carrying out more than 5 400 assignments (an increase of 5 per cent over 2000) in 140 countries. Growth was strongest in the number of volunteers serving in United Nations peace operations in East Timor, Kosovo and Sierra Leone.

Figure 9. Growth in number of UNV assignments, 1971-2001



51. Income recorded in 2001 increased by $5 million or 27.2 per cent compared to 2000. Income relating to the Special Voluntary Fund, cost-sharing and full-funding arrangements increased while contributions from United Nations peacekeeping operations decreased.

Table 11. Contributions for 2001 and 2000
(millions of United States dollars)

Modality	2001	2000	Change (%) between 2001 and 2000
Special Voluntary Fund	3.6	2.5	44.0
Cost-sharing	2.0	0.6	333.3
Trust funds	4.4	4.9	(10.2)
Fully funded arrangements	10.5	4.1	256.1
United Nations peacekeeping operations	2.9	6.3	(54.0)
Total	23.4	18.4	27.2

Source: UNV

52. Programme expenditure in 2000 decreased marginally by $.2 million or 2.5 per cent as compared to 2000. The decrease in trust fund and full-funding delivery results from certain projects being in their final phase and others that are now operationally completed.

Table 12. Programme expenditure for 2001 and 2000
(millions of United States dollars)

Modality	2001	2000	Change (%) between 2001 and 2000
Special Voluntary Fund	7.9	8.1	(2.5)
Cost-sharing	0.8	0.6	33.3
Trust funds	4.6	5.1	(9.8)
Fully funded arrangements	4.6	6.1	(24.6)
United Nations peacekeeping operations	4.2	4.4	(4.6)
Total	22.1	24.3	(9.1)

Source: UNV

53. In response to audit comments, the Executive Board approved, in its decision 98/13, the creation of a reserve with initial funding of $0.9 million. The opening balance of the reserve, to cover medical evacuation and security-related costs, as of 1 January 2001 was $2 million. In 2001, the reserve was replenished with $.2 million from provisions made in the pro forma cost of volunteers. Disbursements from the reserve in 2001 totalled $.2 million for medical evacuation purposes and $.2 million for security evacuation purposes. The balance on 31 December 2001 was therefore $1.8 million.

D. UNRFNRE and UNFSTD

54. UNRFNRE received no regular resources contributions in 2001. Interest income and other income amounted to $.1 million. Total expenditure for 2001 was $.3 million and, as of 31 December 2001, the balance of unexpended resources was $2.7 million.

55. UNFSTD received regular resources contributions of $7 000 in 2001. Interest income and other income amounted to $47 000. No expenditure was reported in 2001 and, as of 31 December 2001, the balance of unexpended resources was $.9 million.

56. Following the decisions of the Executive Board, DP/1999/42, to discontinue the UNRFNRE, and DP/1994/35, to cease the UNFSTD, work plans were established in the context of the mandates to close all financial activities of these Funds. Should there be any residual resources, UNDP will inform the donors accordingly and obtain their agreements to transfer the remaining balances to activities in related areas.

Annex. UNDP overview

Table 13a. Statement of income and expenditure for the year ended 31 December 2001, with comparative figures for 2000
(thousands of United States dollars)

	Regular resources			Other resources			Funds			Total		
	2001	2000	+/-	2001	2000	+/-	2001	2000	+/-	2001	2000	+/-
Income												
Net contributions	651 754	634 138	3%	1 885 691	1 685 149	12%	77 584	71 272	9%	2 615 029	2 390 559	9%
Interest income	(32 104)	(3 568)	-	111 526	70 046	59%	6 604	8 156	(19%)	86 026	74 634	15%
Other income: net	45 211	19 187	-	68 759	62 701	10%	13 160	7 851	68%	127 130	89 739	12%
Total income	664 861	649 757	2%	2 065 976	1 817 896	14%	97 348	87 279	12%	2 828 185	2 554 932	10%
Expenditure												
Programme	332 585	378 262	(12%)	1 757 252	1 575 896	12%	77 430	86 782	(11%)	2 167 267	2 040 940	6%
Programmes support – implementing agents	33 633	42 158	(20%)	23 995	21 888	10%	5 589	4 594	22%	63 217	68 640	(8%)
Programmes support to resident coordinator	7 613	9 013	(15%)	1 837	1 402	31%	-	-	-	9 450	10 415	(18%)
Development support services	1 261	1 050	20%	-	-	-	-	-	-	1 261	1 050	-
UNDP sectoral support services	-	-	-	-	-	-	-	-	-	-	-	-
Biennial support budget: net *	266 892	233 503	14%	136 908	100 687	36%	16 396	16 601	(1%)	420 196	350 791	20%
Other expenditure	60 954	38 752	57%	2 267	3 047	(26%)	431	759	(43%)	63 652	42 558	(25%)
Total expenditure	702 938	702 738	-	1 922 259	1 702 920	13%	99 846	108 736	(8%)	2 725 043	2 514 394	7%
Excess (shortfall) of income over expenditure	(38 077)	(52 981)	28%	143 717	114 976	25%	(2 498)	(21 457)	88%	103 142	40 538	-
Savings on obligations of prior biennium	(1 831)	9 487	-	353	2 117	(83%)	78	130	(40%)	(1400)	11 734	-
Transfers from (to) reserves	15 400	13 000	18%	(2 600)	(8 000)	68%	(800)	7 100	-	12 000	12 100	(1%)
Refunds to donors and transfers from (to) from other funds	(6 373)	(391)	-	(4 337)	(6 751)	36%	(325)	(436)	25%	(11 035)	(7 578)	(46%)
Balance of unexpended resources, 1 January	76 131	107 016	(29%)	1 353 234	1 250 888	8%	103 063	117 727	(12%)	1 532 428	1 475 631	4%
Balance of unexpended resources, 31 December	45 250	76 131	(41%)	1 490 367	1 353 230	10%	99 518	103 064	(3%)	1 635 135	1 532 425	7%

Source: Table 1(a), DP/2002/25/Add.1

* Contains country office administrative charge.

Table 13b. Assets, liabilities and reserves and fund balances as of 31 December 2001, with comparative figures for 2000

(thousands of United States dollars)

	Regular resources			Other resources			Funds			Total		
	2001	2000	+/-	2001	2000	+/-	2001	2000	+/-	2001	2000	+/-
Assets												
Cash	-	50 839	-	11 629	16 945	(31%)	1 229	-	-	12 858	67 784	(81%)
Government letters of credit	-	-	-	43 523	47 621	(9%)	-	-	-	43 523	47 621	(9%)
Investments held for												
Operational reserve	151 600	167 000	(9%)	-	-	-	-	-	-	151 600	167 000	(9%)
Regular resources	126 458	21 049	-	212 777	226 215	(6%)	105 625	145 599	(27%)	444 860	392 863	13%
Other	1 363 924	1 134 310	20%	-	18 444	-	-	-	-	1 363 924	1 152 754	18%
Subtotal investments	1 641 982	1 322 359	24%	212 777	244 659	(13%)	105 625	145 599	(27%)	1 960 384	1 712 617	15%
Total cash, letters of credit and investments	1 641 982	1 373 198	20%	267 929	309 225	(13%)	106 854	145 599	(27%)	2 016 765	1 828 022	10%
Advances from Governments and executing agencies	63 131	107 695	(41%)	202 283	179 879	12%	4 838	978	-	270 252	288 552	(6%)
Accounts receivable and deferred charges	138 755	137 951	1%	1 454 931	1 244 983	17%	50 828	22 899	-	1 644 514	1 405 833	17%
Accrued interest	12 435	9 181	35%	12 134	8 806	37%	1 420	2 931	(52%)	25 989	20 950	24%
Long-term accounts receivable	-	-	-	780	866	(10%)	-	-	-	780	866	(10%)
Special capitalized assets	1 570	1 570	-	34 824	35 694	(2%)	-	-	-	36 394	37 264	(2%)
Loans to Governments	-	-	-	967	1 049	(8%)	933	1 605	(42%)	1 900	2 654	(28%)
Total assets	1 857 873	1 629 595	14%	1 973 848	1 780 534	11%	164 873	174 012	(5%)	3 996 594	3 584 141	12%
Liabilities												
Advances to Governments and executing agencies	4 943	7 358	(33%)	60 833	35 024	74%	5 618	7 279	(23%)	71 394	49 661	44%
Unliquidated obligations	70 801	53 151	33%	193 808	163 052	20%	5 785	5 267	10%	270 394	220 470	23%
Accounts payable	55 528	95 091	(42%)	65 329	61 753	6%	6 762	5 849	16%	127 619	162 693	(22%)
Due to other resources	1 408 833	1 201 065	17%	66 968	74 577	(10%)	-	5 928	-	1 475 801	1 281 570	15%
Other liabilities	119 348	28 229	-	3 948	3 897	1%	1 789	2 025	(12%)	125 085	34 151	-
Total liabilities	1 659 453	1 384 894	20%	390 886	337 303	16%	19 954	26 348	(24%)	2 070 293	1 748 545	18%
Reserves and fund balances												
Operational reserve	151 600	167 000	(9%)	64 600	62 000	4%	45 400	44 600	2%	261 600	273 600	(4%)
Endowment Fund	-	-	-	3 000	3 000	-	-	-	-	3 000	3 000	-
RFA authorized level	-	-	-	25 000	25 000	-	-	-	-	25 000	25 000	-
Special capital resources	1 570	1 570	-	-	-	-	-	-	-	1 570	1 570	-
Balance of unexpended resources	45 250	76 131	(41%)	1 490 363	1 353 230	10%	99 515	103 064	(3%)	1 635 128	1 532 425	7%
Balance of unexpended resources and special capital resources	46 820	77 701	(40%)	1 490 363	1 353 230	10%	99 515	103 064	(3%)	1 636 698	1 533 995	7%
Total reserves and balance of unexpended resources	198 420	244 701	(19%)	1 582 963	1 443 230	10%	144 915	147 664	(2%)	1 926 298	1 835 595	5%